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November 10, 1995

BY OVERNIGHT MAIL

Mr. William F. Caton
Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

NOV 13 1995

Re: CC Docket No. 95-115

Dear Mr. Caton:

Enclosed for filing please find an original plus nine (9) copies of the Reply Comments of Rochester Telephone Corp. In the above-docketed proceeding.

To acknowledge receipt, please affix an appropriate notation to the copy of this letter provided herewith for that purpose and return same to the undersigned in the enclosed, self-addressed envelope.

Very truly yours,

Michael J. Shortley, III

cc: International Transcription Service

Ms. Ernestine Creech

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

NOV 13 1995

In the Matter of)	
)	
Amendment of the Commission's)	
Rules and Policies To Increase)	CC Docket No. 95-115
Subscribership and Usage of the)	
Public Switched Network)	

**REPLY COMMENTS OF
ROCHESTER TELEPHONE CORP.**

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Rochester Telephone Corp. ("Rochester") submits this reply to the comments received in response to the Commission's Notice in this proceeding.¹ While the Commission correctly raises the issue of how best to maximize subscribership and usage of the public switched network, the comments make clear that broad new federal mandates are unnecessary at this time. Moreover, the specific suggestions raised in the Notice -- a prohibition on disconnection of local service for nonpayment of interstate toll services and the mandatory offering of toll restriction services are not cost-effective and, indeed, create more problems than they solve. With respect to the Commission's other proposed initiatives, the record also makes clear that Commission action is unnecessary at this time.

First, whether the current levels of telephone subscribership require federal intervention is debatable, at best. Subscribership levels have increased significantly over the past decade and, today, approximately ninety-four percent of households receive

¹ *Amendment of the Commission's Rules and Policies To Increase Subscribership and Usage of the Public Switched Network*, CC Dkt. 95-115, Notice of Proposed Rulemaking, FCC 95-281 (July 20, 1995) ("Notice").

telephone service.² In light of the Commission's recognition that a goal of achieving a penetration rate of one hundred percent would be unrealistic, the Commission needs realistically to assess whether additional federal requirements would even be helpful in any effort to increase current penetration levels. Particularly given the relative lack of clarity regarding the causes underlying decisions not to subscribe to telephone service,³ the Commission should tread with caution before imposing new requirements that may unnecessarily burden telecommunications service providers and ratepayers while providing no offsetting benefits.

Second, the record also makes clear that the two sets of proposals designed to raise subscribership levels -- prohibiting the denial of local service for nonpayment of toll services and mandating the offering of toll restriction services -- fail to survive any reasonable cost-benefit analysis. It is questionable at best whether prohibiting the denial of local service for nonpayment of toll charges will assist in increasing subscribership levels. Pennsylvania -- the example cited by the Commission -- has seen only modest increases in penetration levels over the last decade.⁴ Thus, Pennsylvania's current high subscribership rate is not due to a prohibition that was imposed only relatively recently. New York -- which has also adopted this policy -- saw its subscribership levels fall significantly in the two years since it adopted this prohibition.⁵ A number of states that

² See, e.g., Bell Atlantic at 1-2; MCI at 4. See also Notice, ¶ 1.

³ See, e.g., Indiana Utility Regulatory Commission at 11-25.

⁴ See MCI at 16.

⁵ Rochester at 2.

have not implemented this policy experience subscribership penetration rates higher than several states that have adopted the prohibition.⁶ The record is, therefore, far too inconclusive for the Commission to conclude that prohibiting the denial of local service for nonpayment of toll service will have any appreciable effect on telephone penetration rates.

The policy, however, carries with it significant costs. One immediate effect of the adoption of this rule has been a substantial and immediate increase in the rate of uncollectables. Parties estimate that the uncollectable rate has risen by as much as threefold in Pennsylvania.⁷ Those uncollectables must be borne by someone. Either other customers of exchange or interexchange carriers must absorb those costs or carriers' shareholders must absorb them. Neither result is remotely equitable, particularly where the proposed solution will likely be ineffective in any achieving its stated goal.

In addition, the adoption of such a policy requires the development of billing systems that are capable of separately tracking local, toll and other services and allocating or ranking partial payments among different classes of service. Those carriers that have had to implement such systems have found that this work is expensive and that the ongoing administrative burdens are substantial.⁸

The proposed rule also encourages the wrong sort of behavior. If certain people are

⁶ MCI at 17.

⁷ GTE at 36; see also Bell Atlantic at 3; MCI at 15.

⁸ See, e.g., Bell Atlantic at 4; GTE at 33-36; Rochester at 4-6.

For this reason as well, the Commission should reject the suggestions (e.g., Maine Public Service Commission at 3) that it require exchange carriers to develop and maintain multiple balance billing systems.

aware that there is no risk that their local service will be disconnected for failure to pay long-distance charges, they will abuse the system. Because of this perverse incentive structure, adoption of the proposed rule could actually undermine other, voluntary programs offered by carriers to encourage customers to monitor and budget their telephone consumption. Carriers have designed these programs to assist consumers to be able to pay for their usage. With a major deterrent to nonpayment eliminated, at least some consumers would have no incentive to take advantage of these offerings.

Requiring exchange carriers to offer toll restriction services also appears to be unnecessary. The record is replete with examples of carriers offering such services today.⁹ Rochester itself offers consumers assistance in the form of deferred payment plans and the like.¹⁰ It is apparent from the comments that the industry recognizes the importance of the Commission's policy objective of keeping subscribers on the network and has responded accordingly. On this basis, a federal mandate is unnecessary.

Moreover, certain of the proposed services -- particularly requiring exchange carriers to offer toll caps -- would be unworkable and enormously expensive. Many exchange carriers -- particularly smaller exchange carriers -- today do not have the capability of offering such services and its development would entail significant expense.¹¹ In addition,

⁹ See, e.g., USTA at 9-11.

¹⁰ Many of the programs that Rochester offers are required by regulations of the New York Commission, many of which are expensive and counterproductive, as described herein. Nonetheless, the existence of some of these programs, together with the understandable reluctance of carriers summarily to disconnect subscribers, indicates that such voluntary efforts are effective at maintaining high subscribership levels.

¹¹ See, e.g., *id.* at 10.

unless such services block all toll calling, they would be ineffective. If only calls carried by the customer's presubscribed interexchange carrier could be blocked, customers could still evade the caps by dialing 10XXX or some other alternative dialing arrangement.

Third, the remaining areas of concern identified by the Commission do not warrant federal intervention at this time.¹² Providing alternative means of access to the public switched network to highly mobile individuals calls for marketplace -- not governmental -- solutions. The comments demonstrate that a number of companies are responding to these needs by offering services such as voice mailboxes and debit cards.¹³

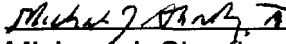
The Commission should also decline to alter the nature of the existing LinkUp and Lifeline services. Those programs are properly targeted to assist low-income individuals to connect to and remain on the public switched network. Abolishing means tests or expanding the programs to cover institutions such as schools and libraries would not be appropriate. The former would eliminate the narrowly-targeted focus of these programs and the latter would expand the programs into areas that they were never intended to cover. To the extent that the appropriate governmental authorities determine that additional programs or funding are required, the financing to pay for those programs should come from general tax revenues or, at worst, a competitively-neutral fund to which all telecommunications services providers are required to contribute.

¹² The only exception is that the Commission should allocate additional spectrum for Basic Exchange Telephone Radio Service and accord it primary status so that this technology could be utilized more effectively than it is today to provide basic exchange service in extremely high-cost areas. See USTA at 15.

¹³ See, e.g., Pacific at 30-34.

For the foregoing reasons, the Commission should act upon the proposals contained in the Notice in the manner set forth herein.

Respectfully submitted,


Michael J. Shortley, III

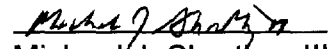
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November 10, 1995

Certificate of Service

I hereby certify that, on this 10th day of November, 1995, copies of the foregoing Reply Comments of Rochester Telephone Corp. Were served by first-class mail, postage prepaid, upon the parties on the attached service list.


Michael J. Shortley, III

Service List - CC Docket No. 95-115

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